

Message Text

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PAGE 01 STATE 089625

11

ORIGIN EB-03

INFO OCT-01 SS-14 ADP-00 EUR-10 AF-04 NEA-06 NSC-10 NSCE-00

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APPROVED BY EB/ ORF/ FSE - MR. KATZ

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R 102236 Z MAY 73

FM SECSTATE WASHDC

TO AMEMBASSY TRIPOLI

AMEMBASSY LONDON

INFO AMEMBASSY BEIRUT

USINT ALGIERS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

AMEMBASSY ABU DHABI

AMEMBASSY ROME

AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

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C O N F I D E N T I A L STATE 089625

LIMDIS

E. O. 11652 GDS-- DECLAS. 12/31/79

TAGS: ENRG

SUBJECT: OIL: LIBYAN PARTICIPATION NEGOTIATIONS

REF: TRIPOLI 0026 (NOTAL)

1. WE UNDERSTAND FROM OIL COMPANY SOURCES HERE THAT
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PAGE 02 STATE 089625

PET MIN MABRUK CALLED IN WILLIAMSON OF OCCIDENTAL MAY 8 TO PRESENT TO HIM, " ON BEHALF OF" JALLUD, SAME DEMANDS JALLUD MADE EARLIER TO OASIS GROUP: (1) 100 PERCENT CONTROL OF OIL (2) COMPENSATION AT NET BOOK VALUE, AND (3) COMPANIES PURCHASE OF CRUDE AT NET BOOK VALUE. MABRUK GAVE OCCIDENTAL FINAL DEADLINE OF MAY 17 TO AGREE OR PRESENT NEW PROPOSAL. HE SAID HE CALLING IN AMOSEAS MAY 16 AND EXPECTED ALL NEGOTIATIONS TO BE OVER BY MAY 21, OR ELSE LARG WOULD TAKE OVER COMPANIES ONE BY ONE. MABRUK SAID JALLUD " FED UP" WITH SLOW PACE OF TALKS, AND LARG WOULD NATIONALIZE " EVERYONE" IF AGREEMENT ACCEPTABLE TO LARG WAS NOT MADE SOON.

2. MABRUK THEN DIGRESSED TO SAY THAT LARG WOULD PERHAPS NOT NATIONALIZE OR PAY NET BOOK COMPENSATION FOR ALL COMPANIES; THOSE " NOT WORTH NATIONALIZING" MIGHT BE HIT WITH PUNITIVE TAXES.

3. OIL COMPANY REPS IN TRIPOLI HAVE REPORTED TO LONDON WORKING GROUP THAT THEY CONSIDER NEW LARG DEADLINE TO BE

SERIOUS AND HAVE URGED EARLY MEETING OF SENIOR COMPANY EXECUTIVES TO DETERMINE NEXT STEPS. THEY OF OPINION THAT ONLY MAJOR AREA OF LARG FLEXIBILITY WOULD BE IN LEVEL OF INITIAL PARTICIPATION, ALTHOUGH MABRUK STILL TALKING ABOUT MINIMUM STARTING POINT OF 50 PERCENT. THEY FEEL THAT MABRUK AWARE THAT LARG COULD NOT NATIONALIZE ENTIRE INDUSTRY AT ONCE, HENCE TACTIC OF ISOLATING, SQUEEZING AND THREATENING NATIONALIZATION OF COMPANIES SEPARATELY.

4. MAJOR OIL COMPANIES WITH PERSIAN GULF INTERESTS ARE CONCERNED THAT ACCEPTANCE BY INDEPENDENTS OF NEGOTIATIONS ON MABRUK' S TERMS WOULD SERIOUSLY COMPROMISE PERSIAN GULF SETTLEMENTS. IT CLEAR TO ALL, HOWEVER, THAT COMPANIES' PRESENT TACTIC OF TRYING TO SMOKE OUT LARG TERMS BEFORE MAKING OFFER BEYOND TERMS OF PERSIAN GULF AGREEMENT HAS RUN OUT, AND THAT TOTALLING NEW PROPOSAL MUST BE MADE.

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PAGE 03 STATE 089625

5. INDUSTRY PRINCIPAL' S MEETING WILL BE HELD EARLY NEXT WEEK, PROBABLY IN NEW YORK. FYI COMPANIES INTEND TO VOTE ON PROPOSAL, APPROVED BY LONDON WORKING GROUP, WHICH WOULD -- IN LIEU OF PARTICIPATION -- OFFER LARG SUBSTANTIAL NEW CASH PAYMENT PER BBL (APPROX 25 CENTS) TO FINANCE NEW EXPLORATION ACTIVITIES, COUPLED WITH JOINT 50/50 OPERATING COMPANIES IN EACH

CONCESSION. WE DO NOT KNOW IF THIS PROPOSAL, IF
ACCEPTED BY INDUSTRY, WILL BE FAR REACHING ENOUGH TO
SATISFY LARG DESIRE FOR CONTROL OF INDUSTRY, BUT IT
AT LEAST IMAGINATIVE ENOUGH PROBABLY TO GAIN MORE
TIME FOR NEGOTIATIONS. END FYI. ROGERS

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